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Building the Canada We Want

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The Budget Speech 2003



The Honourable John Manley, P.C., M.P.
Deputy Prime Minister and Minister of Finance

February 18, 2003

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The
Budget Speech
2003



Department of Finance
Canada

Ministère des Finances
Canada

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Also on the Internet at:
www.fin.gc.ca

Cette publication est également disponible en français.

Cat. No.: F1-23/2003-1E
ISBN 0-662-33474-4

Introduction

First, I would like to extend my thanks to all those who have participated actively in preparing today's budget. Most notably, I want to thank my colleague, the Secretary of State for International Financial Institutions, along with the Honourable Member for London West and the members of the Standing Committee on Finance, for the time and effort they have given to the pre-budget consultation process. I also express my gratitude to the Prime Minister for his support and confidence.

I am proud and honoured to stand in this House today to present to the people of Canada this government's sixth consecutive balanced budget, and our sixth in a row that will reduce the nation's debt burden—a result of the determination and discipline of the Prime Minister and my predecessor as Minister of Finance, the Honourable Member for LaSalle-Émard. It has been more than half a century since any government has maintained such a record. Canada stands alone amongst its Group of Seven (G7) partners in keeping its finances in the black. This is a remarkable Canadian achievement.

Mr. Speaker, in the course of preparing for this budget, I have travelled to every part of this country and met with thousands of Canadians. They told me about "the Canada they want." Their voice rings loud and clear in this budget. Canadians told us that the budget choices we make have to be about more than the tallying of accounts. Our choices must reflect the sum of our values. They must reflect Canadians' pride in their country and, above all, their hope and determination that their children will inherit an even better Canada and a better world.

That we inhabit a resource-rich land is self-evident. But the true richness of Canada lies in its people. We are a nation defined not by commonality of race or religion, but a nation whose purpose lies in shared values and beliefs—shaped in part by history, by the risk takers and asylum seekers who came to these shores in search of freedom and opportunity, shaped by those who fought in wars and struggled in peace for democracy, social justice and the rule of law.

This budget responds to these values—to what we have heard from Canadians across the country: reform our system of health care; confront the issues of poverty and affordable housing; help our cities become more competitive and our communities more liveable; invest in new technologies and alternative energy, in clean air and water so that our growth is sustainable; help business become even more competitive in the North American and global markets; make Canada's voice strong in the world.

Over these past 18 months Canadians have again been reminded of the dangers that confront us in this uncertain world. And in consulting with them, events beyond our borders frequently became the subject of discussion.

Mr. Speaker, there can surely be no greater responsibility for any government than to provide for the security and safety of its people. And this budget does so. It also delivers on our responsibility to provide global leadership in finding solutions to the problems which give rise to instability—the problems of hunger and disease, of exploitation and poverty. Today's budget also delivers security to Canadians in what we most value here at home—in the quality of our society and the strength of our economy.

Mr. Speaker, beyond these crucial investments in our future, Canadians expect accountability from their governments. They want respect for the investments that they make in us—of their tax dollars and their trust. I am therefore announcing today a new, rigorous, ongoing review of government spending.

In short, Mr. Speaker, this budget is about the society that Canadians value, the economy that Canadians need and the accountability that Canadians deserve.

Economic and Fiscal Outlook

Today ours is a confident Canada. We are a people who can compete and win on any field, and in any market. This country is moving forward. And we are doing so from a position of considerable strength. We are a true “Northern Tiger.”

Canada's economic success can be translated into human terms by the most important measure of all: the 560,000 jobs that our economy created in 2002, the majority of these full-time. This marks the best yearly performance for us on record. Our interest rates are near 40-year lows, benefiting Canadian families and businesses alike. Our current account has been in surplus for almost three years running, driving down our foreign indebtedness. And imagine, Mr. Speaker, for the first time in our history, it is now below that of the United States.

The result is a Canadian economy that expanded by a solid 3.3 per cent in 2002—considerably faster than the 2.4 per cent recorded by the U.S. and faster than that of all other G7 countries. The average of private sector forecasts indicates a similar pace of expansion in Canada this year, and 3.5 per cent growth in 2004.

But, Mr. Speaker, as everyone in this House knows, we live in a very uncertain world. The economies of Europe and Japan remain subdued. Most significantly, the United States has had an uneven recovery to date. Furthermore, the possibility of armed conflict in Iraq has done much to heighten uncertainty about the prospects for more stable global growth in the near future.

Mr. Speaker, Canadians can take pride in our resilient performance during this time of economic unease, but we must also take care. We must continue to demonstrate vigilance in the face of global uncertainty. There will be no return to deficit in Canada. We are reducing our debt, already down more than \$47 billion since 1997. And we will do more. We are implementing in full the \$100-billion tax cut package that was introduced in 2000. And we will do even more than this. We will maintain our distinct economic and social advantages. And, above all, we will maintain the capacity to control our own destiny.

Keeping a balanced budget, cutting debt and getting the best value for money are a constant challenge and a constant imperative. These are the bedrock of our fiscal and economic strategy. They are also part of the plain reality that most Canadian families live in—it is certainly the one that I was raised in. And it must be the one that a responsible government acts in. Canadians remember well the sacrifices that were made to set our country on the right track in the mid-1990s. We will not turn back.

I am pleased to announce today that we will again balance our books this year. And we will have a balanced budget next year and beyond. And we will do this while continuing to set aside a \$3-billion Contingency Reserve and maintaining economic prudence in the face of global uncertainty.

These fiscal projections are, as usual, based on the average of private sector economic forecasts. And responding to the recommendations of the Auditor General, they are also based, for the first time ever, on the full accrual standard of accounts. Under full accrual accounting, Canadians will have a more comprehensive and up-to-date picture of the Government's financial position. As a result, they will see greater transparency in the management of public monies in Canada.

Mr. Speaker, providing responsible economic stewardship is never a finished job. It is not simply a box that gets checked off, and then is forgotten. The budget measures that we announce today will continue to treat this country's resources with respect. They enhance our fiscal sovereignty and strengthen our economy, which allow us to reach higher, to find new solutions to enduring problems, to set new goals and ambitious targets, to take responsibility for building the Canada we want, for ourselves and for future generations.

Budget Plan 2003-04

Health Care for the 21st Century

In building the country we want, Canadians have told us that our public health care system is their number one priority. It is a profound reflection of our values—of the idea that Canada is a place where people can count on each other. It demonstrates our will to share risk and our commitment that access should depend on need, not the ability to pay. It is part of the Canadian advantage.

Canada's governments recently reached an agreement on health care renewal, an agreement that does more than respond to immediate cost pressures, one that sets out a firm commitment and a plan for change: a plan for timely access; for quality care and for the sustainability of this Canadian advantage; for reform of family and community care; for access to home care; for coverage of catastrophic drug costs; for reduced waiting times for diagnostic services; for innovation; and for real accountability to Canadians. I wish to congratulate the Minister of Health, without whom this historic plan for reform would not have been possible.

This budget sets out the financial tools to put that plan in motion. Federal support to health care will increase by \$17.3 billion over the next three years and \$34.8 billion over the next five. This includes:

- a \$9.5-billion increase in transfers to provinces and territories over the next five years;
- a \$2.5-billion immediate transfer to the provinces and territories to deal with existing pressures;
- \$16.0 billion for a Health Reform Fund over the next five years, targeted to primary care, home care and catastrophic drug coverage; and
- a further \$5.5-billion investment by the federal government to promote the health of Canadians, including diagnostic and medical equipment, health information technology and research hospitals.

But health reform is not simply about hospitals and treatment. That is why this budget also provides financing for environmental health, for sport and fitness, for prevention and immunization, and for health promotion and protection.

Mr. Speaker, we must also acknowledge the unacceptable gap in health status between Aboriginal and other Canadians. We must do more and we must do better. And we will. This budget therefore provides \$1.3 billion over the next five years for measures that will help improve the health of Aboriginal Canadians; and an additional \$600 million is being targeted to improving the quality of water and wastewater treatment on reserves.

Mr. Speaker, our renewed commitment to health care recognizes the individual contribution of Canadians in building a healthy and compassionate society. Those who are gravely ill and dying often want to be cared for in the place they know best, and by those they love best: in their own homes and by their own family. Too often family members must make difficult choices between work and being able to provide compassionate care. This budget expands the employment insurance program to allow compassionate care leave from work for those who must look after a gravely ill child, parent or spouse.

This budget recognizes the leadership of Canadians like Rick Hansen, whose achievements have inspired not only our country, but the world. The Rick Hansen Man In Motion Foundation provides hope for the 37,000 Canadians who suffer from spinal cord injury. I am pleased to announce a contribution by the Government of Canada to the funding of this foundation's important work.

Mr. Speaker, Canadians can count on this government's commitment to a sustainable and accountable system of publicly funded health care, one where Canadians are assured of a clear, long-term framework for growing federal investment in their health care. Our cash transfers to provinces were \$15.5 billion in the year 2000. By 2010 they will have more than doubled to \$31.5 billion. Canadians have the commitment they have asked for—and they will have results they deserve.

Families and Communities

Mr. Speaker, in addition to health, Canadians have told us that they want their governments to tackle the issues of poverty, homelessness and dependency. It is an affront to our values that, while most Canadians benefit from our economic advances, some still cannot find shelter or meet their basic needs.

Canada is a very prosperous country. But not all Canadians share in that prosperity. We may have tackled the fiscal deficit but we have not yet adequately addressed our social challenges. Canadians want to see more power in the hands of individuals to seize or, better, to create opportunity for themselves, to break the cycle of poverty and dependency. They want more power in the hands of communities to identify and solve problems and to share responsibility for building a better quality of life for their members.

In the last half of the 20th century we committed, as a national project, to confront poverty among the elderly. The challenge of this generation is to provide the same attention and the same focus to dealing with child poverty, and to ensure that all Canadian children have a good start in life.

We have already come a long way. In 1997, together with the provinces and territories, we established the National Child Benefit to lift children out of welfare and to make sure that their parents no longer faced the “welfare wall,” afraid to work because they would lose their benefits and be unable to cover the basic needs of their children. The National Child Benefit, Mr. Speaker, is working. Since its introduction we have seen a reduction in welfare dependency, and we have seen a real reduction in child poverty. We must, however, do more—much more.

With this budget, we are making long-term investments to help working families with children break through the welfare wall and take control of their future. This budget puts in place a long-term investment plan to help low-income families. I am announcing a significant increase in the benefits to children living in poor families so that, by 2007, a first child will receive \$3,243—more than 30-per-cent higher than today and more than double the level before 1997. For a poor family with two children under the age of 7, this will mean a \$563 cheque every month. For low- and modest-income families raising a disabled child, I am also pleased to announce that we will supplement these benefits by a further \$1,600 per year.

We must also provide Canadians with disabilities the tools they need to participate actively in Canadian society. Today I am announcing that we are renewing our funding commitment of \$193 million per year to assist disabled persons in strengthening their prospects for employment. Mr. Speaker, no one understands better the challenges facing persons with disabilities than they, themselves, and the people who care for them. Our government will work directly with these groups through a new, independent advisory committee on disability issues. In total, this budget raises the level of tax assistance for persons with disabilities and special medical needs, and for those who care for them, to about \$1.3 billion per year.

Mr. Speaker, families need more than income support. They need real choices. Parents, and particularly single parents, should have the option to accept a good job that will help them to build a better life for their children, and still have access to quality child care. Today, as a result of the work of the Minister of Human Resources Development, I am announcing a new federal investment of \$935 million in child care over the next five years.

Mr. Speaker, no approach to poverty will be successful if we do not do more to address the issue of homelessness. There can be little dignity in living on the street or in substandard housing. And there can be little opportunity without an address. We must put more power in the hands of communities to tackle the diverse problems underlying homelessness. This budget extends our commitment to the Supporting Communities Partnership Initiative over the next three years. And this budget provides an additional investment of

\$320 million over the next five years to increase the supply of affordable housing across Canada. By 2007 this will bring total federal expenditure in this area to \$1 billion. We are also extending our housing renovation program by a further three years. I wish to acknowledge the excellent work of the Honourable Member for Mississauga West, whose dedication to these issues is unrelenting.

Mr. Speaker, this budget also provides new significant investments to help our Aboriginal communities build a better future for themselves and generations to come. Today's budget dedicates new resources to address their health and water quality. It addresses Aboriginal day care and education, as well as Aboriginal business development. We are also committing funds today for the Urban Aboriginal Strategy, for the First Nations Policing Program and for the preservation of native languages and culture.

Innovation and Learning

Mr. Speaker, our economic prosperity, our quality of life and our standard of living require Canada to be a world leader in innovation and learning and to be a magnet for talent and investment—the mark of a “Northern Tiger.” The most precious commodity of today’s economy is knowledge. We have invested heavily in access to post-secondary education and in excellence in university research. We believe that our future lies in providing young Canadians with the best education possible, with the best universities that produce the best knowledge and the best graduates, and with an education system that can compete with the best in the world.

We have connected all of Canada’s schools and libraries to the Internet. We are now one of the most connected societies on earth. This government created the Millennium Scholarship Foundation to give young Canadians better access to post-secondary education. This government created the Canada Foundation for Innovation to modernize the infrastructure of our universities. Already it has awarded research grants to more than 2,400 projects, almost half of them in the health sciences. This government created the 2,000 Canada Research Chairs to ensure that our universities can attract and retain the best faculty.

We must now ensure that the best faculty and the best facilities are attracting and developing the best students. I want to thank the Minister of Industry, as well as the Member for Peterborough and our caucus committee on post-secondary education, for their excellent work in helping us to shape this agenda, and to take the next bold steps forward today.

We are increasing the budgets of the federal research granting councils by \$125 million per year. We are making permanent a substantial federal contribution to the indirect costs of research. We are amending the Canada Student Loans Program. We are doing more to help students better manage their debt loads and we are now making protected persons in Canada, like convention refugees, eligible for student aid. We are increasing our investment in the Canada Foundation for Innovation by \$500 million, specifically for the infrastructure needs of Canada's research hospitals. And I am pleased to announce that we are also extending new research funding to Genome Canada and the Atacama Large Millimetre Array astronomy project.

But most importantly, Mr. Speaker, I am proud to announce a bold new initiative to attract and support graduate students in Canadian universities. With this budget, the Government will create the Canada Graduate Scholarships. When fully in place, they will support 2,000 master's and 2,000 doctoral students every year, and support them at levels that make graduate programs in Canadian universities competitive with the best in the world. This new program will increase the number of graduate scholarships offered by the federal government by more than 70 per cent—to around 10,000 a year. And 60 per cent of the new scholarships will be in the humanities and social sciences.

Further, Mr. Speaker, I am announcing today a \$12-million endowment for the National Aboriginal Achievement Foundation to expand its scholarships for Aboriginal students, and I want to commend its President, John Kim Bell, for his remarkable work. And we are today contributing \$100 million towards the creation of the Canadian Learning Institute, which will help Canadians to make better decisions about the education of our children.

Mr. Speaker, Canada's distinct knowledge advantage is built by expanding the skills of our labour force and by helping every Canadian who wants to work, including new Canadians, to apply their talent and initiative to productive enterprise. And so we will invest \$41 million over the next two years to help new Canadians to integrate quickly into our economy, whether it is second language skills, or faster recognition of foreign credentials, or pilot projects to attract skilled immigrants to smaller communities across the country. Our goal is clear: a new level of opportunity and potential to contribute for all Canadians, particularly young Canadians.

Increasing Our Prosperity

Mr. Speaker, knowledge and ability are transformed into opportunity and prosperity when a strong economy exists to support them. Enhancing the well-being of Canadians through higher living standards and a better quality of life lies at the heart of the Government's economic and social agenda. It requires that economic and social progress advance together, and that we capitalize on the dynamism, talent and initiative of the Canadian people. Our tax system must encourage economic growth and job creation, along with investment in new technologies and research.

Mr. Speaker, I have just spoken about our new investments in learning and skills development, in research and innovation, and in our families and communities.

Today we are also introducing measures to build on our five-year tax plan and to create new incentives for savings and investment. This budget encourages savings by Canadians by increasing registered retirement savings plan limits to \$18,000 by 2006, and by making corresponding increases for employer-sponsored registered pension plans. With this measure, Canadians will be able to better plan for their retirement. They will be able to rely upon the sustainability and strength of all three pillars of Canada's retirement system: the Canada Pension Plan, Old Age Security and registered pension and retirement savings plans. I will also add that, as long advocated by the Honourable Member for Dufferin–Peel–Wellington–Grey, we are recognizing the unusual hazards faced by Canada's firefighters. And so to enhance their quality of life in retirement, we will accelerate their pension accrual rates.

Mr. Speaker, this budget goes even further in supporting entrepreneurs and small businesses in Canada. I am announcing today a long overdue change for small business owners. For two full decades, the maximum limit to which the 12-per-cent small business tax rate applies has stayed at \$200,000. This budget raises that limit to \$300,000.

Canadian employers and employees alike are benefiting from a steady reduction in employment insurance (EI) contribution rates. There have been nine reductions since 1994. Today I am announcing an even lower EI contribution rate in 2004 of \$1.98—12 cents lower than the current rate.

Mr. Speaker, this government is committed to competitive business taxes to attract investment and support jobs and growth for Canadians. Today I am announcing several important new measures.

We know that capital taxes negatively influence the decisions of foreign and domestic investors in choosing whether to invest in Canada. This is a tax that hits businesses even when they have tough years. And this is a tax that hits growing businesses when they need capital to expand. In short, the capital tax is a significant impediment to new investment, and that hurts us all. Today we are adding to Canada's competitive advantage by legislating the elimination of the general federal capital tax over the next five years. Smaller, and in particular medium-sized firms, will be the first to benefit from this change. As of 2004, 25 per cent of the businesses currently subject to this tax, many Canadian-owned, will no longer be required to pay it.

We will also improve the taxation of resource income in Canada. We will reduce the corporate tax rate of this sector to 21 per cent over five years, while making changes to the tax structure of this key sector.

But our efforts to create and sustain a strong Canadian economy must go far beyond taxation measures. We have heard many good ideas from the Canadian Federation of Independent Business, from women entrepreneurs and other Canadian business innovators on how we can further support entrepreneurship and small business in Canada. And so this budget includes additional measures such as the extension of a further \$190 million in equity to expand venture capital investment by the Business Development Bank of Canada. And we are providing a 25-per-cent increase to the highly successful Aboriginal Business Canada program.

Mr. Speaker, Canada's farmers are among the most productive agricultural producers in the world. But drought and pressure from unfair foreign trade practices have brought on tough times. This government is supporting our farmers, and today's budget confirms that \$5.2 billion will flow to them over the next six years under the new Agricultural Policy Framework and its early bridge-funding arrangement. We are also advancing new funding to the federal Crop Reinsurance Fund and to key agencies like the Canadian Grain Commission and the Canadian Food Inspection Agency. And we have dedicated \$113 million for Canada's veterinary colleges in Saskatoon, Charlottetown, Guelph and Saint-Hyacinthe. We will also extend \$20 million over the next two years to increase venture capital investments by Farm Credit Canada in the agriculture sector.

Mr. Speaker, these measures and others contained in our budget plan have a clear goal. To support a climate that rewards hard work and entrepreneurship. That encourages innovation and stimulates economic growth. And that provides a secure future for all.

Climate Change and the Environment

Mr. Speaker, our growth must be sustainable as well as strong. That means we must deal effectively with the challenge of climate change to protect the natural legacy that we will leave for our children. Years into the future all of us want to be able to say to our children and grandchildren that we recognized what had to be done, and that we acted. I also want to be able to say that we faced up to our responsibility to show global leadership, as Canada has always done, and that we did our part to develop a plan with our partners to protect our atmosphere. That is why this House voted overwhelmingly to ratify the Kyoto Protocol, following on the tireless efforts of the Minister of the Environment and the Minister of Natural Resources. It is why so many Canadians, including many parliamentarians, have stepped forward to meet this challenge with new commitment and with new ideas.

Addressing climate change is a political responsibility and an ecological imperative, but it is also an economic opportunity for Canada. This country's capacity in knowledge and innovation will be key to how we meet this challenge. Canada is already one of the world's leaders in environmental technologies. But we can, and must, expand both our environmental and our economic advantage as we move forward on our Kyoto commitments.

That is why this government has already dedicated \$1.7 billion to addressing climate change since 1997. And it is why, Mr. Speaker, we are dedicating another \$2 billion in today's budget to help implement the Climate Change Plan for Canada. This includes \$250 million for Sustainable Development Technology Canada to encourage the development of greenhouse gas reducing technologies. And it also includes \$1.7 billion over five years to support partnership, innovation and targeted measures to promote energy efficiency, renewable energy, sustainable transportation and alternative energy sources. And we are today providing additional support for scientific study in an area where Canada alone can make a unique contribution in addressing global climate change—and that is in the science of the Far North.

Mr. Speaker, our environmental agenda extends beyond the challenge of climate change. As I said earlier, we will improve water quality and wastewater treatment on First Nations reserves, where the need is so great. This budget provides investments of more than \$340 million over two years in other environmental priorities, like implementing a new Canada-U.S. agreement to improve air quality. We will also follow through on our commitment to protect species at risk, to address toxic substances and to clean up federal contaminated sites. We will also work with our provincial

and municipal partners on remediation of the Sydney tar ponds. I am very proud that this budget provides funding for the completion of Canada's national park system, including the creation of 10 new national parks and 5 new marine conservation areas.

Our Cities and Communities

Mr. Speaker, Canada's magnificent natural environment is inseparable from our sense of national identity. But Canadians also need to feel pride in the places that they know best: in the cities and communities where they live. Our cities must be places of dignity and of productive enterprise, and the focal points for both our culture and our competitiveness.

Virtually every initiative I have described today can be placed in the context of renewing urban and community life in Canada: the strengthening of health care; addressing child poverty; providing new opportunities to learn and to work for all Canadians, including new immigrants; enhancing our business climate and supporting a growing and environmentally sustainable economy.

But these advantages must be supported by an infrastructure that allows our economy to work and our society to prosper. An important study prepared by the Honourable Member from York West, as head of the Prime Minister's Task Force on Urban Issues, made clear that infrastructure renewal tops the list of challenges faced by Canada's cities and communities.

We have made some important investments to date in urban, border, highway and strategic infrastructure. The last two budgets announced investments totalling more than \$5 billion, and which are leveraging additional resources from the private sector and other levels of government. Today we reaffirm our commitment to the renewal of Canada's infrastructure well into the future. I am announcing a further \$3-billion federal investment over 10 years in strategic and municipal infrastructure.

Mr. Speaker, healthy communities and dynamic cities are central to quality of life for all Canadians. But beyond having a strong economy and a secure society, I believe that our concept of quality of life in Canada also means living with dignity and pride, and being able to celebrate our culture and our freedoms. Quite simply, Canada is a model for the world—a model of diversity and inclusiveness, a model of openness to people from all over the world, and a model of opportunity in what each person in this country may achieve.

Linguistic duality is at the heart of Canada's collective identity. Knowledge of another official language is a matter of both cultural and economic enrichment. It helps to open the door to a different vision of the world, and improve access to global markets and the opportunities they offer. Over the last quarter century, what Canada has achieved in the teaching, promotion and use of the second language is nothing less than remarkable. And with this budget—as a result of the work of the Minister of Intergovernmental Affairs—this government will invest in a five-year action plan to renew its support for official languages in Canada. We are also today investing in measures to promote Canadian culture, including the preservation of our heritage properties, which the Minister of Canadian Heritage has supported so passionately.

Accountable Government

Mr. Speaker, during my consultations on this budget, Canadians across the country told me that they wanted their governments to be more accountable and transparent. Simply put, Canadians want to know what they are paying for, and they want to get what they are paying for. They want results. They want value for money. They know that every dollar counts, whether you are managing a household or a G7 economy. Mr. Speaker, we have a responsibility to the people of Canada. That is why we are making accountability a cornerstone of this budget.

First, we are implementing our commitment to reallocate spending from lower to higher priority needs, and from less effective to more effective approaches. Under the leadership of the President of the Treasury Board, this government is launching an ongoing examination of federal programs, to be conducted on a five-year cycle. Our goal will be to ensure that government programs continue to be relevant, effective and affordable. All departments and non-statutory programs will be reviewed. They will be asked to demonstrate results and be challenged to find new approaches to service delivery. To demonstrate our commitment to reallocating spending and improving efficiency, beginning in 2003–04 the Government will reallocate an ongoing \$1 billion per year from existing spending to fund higher priorities of Canadians.

Second, in consultation with parliamentarians, parliamentary committees and the Auditor General, the Government will identify opportunities to improve parliamentary reporting in order to better meet the needs of Parliament and the public.

Third, the Government is responding to the advice of Canada's Auditor General and, from this budget forward, is presenting its financial statements on a full accrual accounting basis.

Fourth, to improve accountability and transparency, the Treasury Board will require comprehensive reporting of all user fees to Parliament and the public, both on a government-wide and a departmental basis.

Fifth, we are increasing the accountability and governance arrangements of arm's-length foundations established by the Government.

Sixth, I am today announcing the launch of consultations on a new employment insurance rate-setting mechanism for 2005 and beyond, to be based on the principles of transparency and of balancing premium revenues with expected program costs.

Seventh, governments have made accountability a centrepiece of the new Accord on Health Care Renewal. First ministers agreed this month to create a Health Council to report publicly to Canadians on the progress of health reform. And I am confirming today that the Government will legislate an end to the combined Canada Health and Social Transfer. Effective April 1, 2004, a new Canada Health Transfer and a new and separate Canada Social Transfer will be created, providing the accountability that Canadians want.

Eighth, this budget advances our commitment to improve corporate governance, enforcement and regulations to strengthen confidence in Canadian markets.

And finally, honourable members will recall that the Air Travellers Security Charge was introduced as a direct means of funding new air security measures in Canada in the aftermath of the events of September 11, 2001. With the move to accrual accounting, I am pleased to announce that, for air travel tickets purchased starting March 1st of this year, we will be reducing the charge on domestic flights by over 40 per cent—down to \$7 for a one-way flight, or \$14 on a return ticket.

Mr. Speaker, the accountability measures announced in today's budget are about more than program efficiency. They are about respect and the integrity of our democracy. And they are about Canadian values.

Securing Canada's Role in an Uncertain World

Mr. Speaker, in my travels across Canada these last months, Canadians everywhere—and especially the young people in the high schools and universities I visited—made clear their passion about the role that this country plays in the world. They are proud that our Maple Leaf—whether it is seen on the shoulder patch of a soldier, sewn onto the top of a backpack or stamped on a bag of flour—represents hope, compassion and determination everywhere that it is seen. This has always been Canada's contribution and, even within a world of so much change, this will always be so.

Our government has made a clear commitment to double our international assistance by the year 2010. This goal is more than a spending target. It represents the tangible promise of a better future for the world's most vulnerable citizens. It sustains Canadian leadership in the campaign against land mines. And it delivers further on our commitment to a New Partnership for Africa. Half of these new monies will be devoted to Africa to promote health and to fight HIV/AIDS, to provide clean water and, quite simply, Mr. Speaker, to make a difference where it is needed most.

Above all, our commitment today reflects the understanding that you cannot have a world of peace unless you address the world of need. We are fulfilling this commitment, and we are starting with an 8-per-cent increase to Canada's International Assistance Envelope—meaning an additional \$353 million this fiscal year. And we will continue increasing our international assistance until we reach our goal.

Mr. Speaker, our conception of what constitutes security in this world is ever-evolving. In some places it is counted in armaments; in many others it is just having food to eat each day. Today Canadians are preoccupied by international tensions and by the threat of war and the spectre of terrorism. I know that every member of this House shares these preoccupations. No matter what changes in the world, Canadians will always look first to the men and women of our Armed Forces to ensure the security of our nation. We look to them with gratitude, with pride and with deep respect for the sacrifice they are ever ready to make in the name of Canada, and in the name of peace.

But all Canadians agree that gratitude, pride and even respect are not enough to ensure their safety or our security. And so, to support the Canadian Forces, we are today providing \$1.6 billion in new funding over the next two fiscal years. We will sustain this level of funding increase at \$800 million per year thereafter. And we will make a further commitment to reassess their future needs following a review of Canada's foreign and defence policy. We are also dedicating new monies for the Canadian Coast Guard, which is so vital to the safety and security of our waters. As well, we are allocating \$270 million this fiscal year to address the most urgent requirements of our military.

Mr. Speaker, Canada's peacekeeping tradition is a proud one. Last week this House was informed by the Minister of National Defence that Canada has agreed to send security and peacekeeping forces to Afghanistan as part of the UN-mandated mission there. This is a dangerous and difficult commitment but, as always, the Canadian Forces will undertake their mission with the courage and professionalism for which they are known throughout the world. The increased resources I have just announced, along with the funds we have set aside for military contingencies, are expected to cover the incremental costs of this mission.

But, Mr. Speaker, if we as a nation are to summon the resolve to face our future challenges, we must never forget the courage and sacrifice of the past. And so this government has and will continue to pay tribute to Canada's veterans.

Conclusion

Mr. Speaker, I have spoken a lot today about the thousands of Canadians, from every region of our great land, whose voices were heard in the preparation of this budget. Canadians are confident about their place in the world and they are excited by their prospects. They spoke with passion about the nation they love—both the one we have today and the one that we can build. The Canada they want never loses sight of its commitment to the core values of fairness and opportunity that unite us.

Today we have taken serious steps forward in our quest to build the society that Canadians value, the economy Canadians need and the accountability Canadians deserve. That Canada is now within our reach. It is a matter of will, wisdom and work.

Let us seize this opportunity for the generations of today and tomorrow, for our challenge and privilege as parliamentarians is to work together—united in national purpose, living up to the trust confided in us by the people of this country, to work to build an even greater Canada, a Canada of economic excellence, fiscal responsibility and social equity. That is our task. That is the commitment we must—and we will—honour.

